

AGENDA
FREMONT REDEVELOPMENT AGENCY REGULAR MEETING
FEBRUARY 15, 2011
7:00 P.M.

1. CALL TO ORDER

2. CONSENT CALENDAR

Items on the Consent Calendar are considered to be routine by the Redevelopment Agency and will be enacted by one motion and one vote. There will be no separate discussion of these items unless an Agency Member or citizen so requests, in which event the item will be removed from the Consent Calendar and considered in its normal sequence on the agenda. Additionally, other items without a "Request to Address the Redevelopment Agency Board" card in opposition may be added to the consent calendar. (In the report section of the agenda, consent items are indicated by an asterisk.)

2.1 *Approval of Minutes - for the Regular Meetings of January 12, 2010, February 16, 2010, March 2, 2010, March 16, 2010, May 11, 2010, and November 9, 2010*

3. PUBLIC COMMUNICATIONS

3.1 Oral and Written Communications

4. PUBLIC HEARINGS – None.

5. OTHER BUSINESS

5.1 Report Out from Closed Session of Any Final Action

5.2 CONSIDERATION OF A COOPERATION AGREEMENT BETWEEN THE CITY AND THE REDEVELOPMENT AGENCY

Consideration of a Cooperation Agreement between the City and the Redevelopment Agency for Funding of Various Affordable Housing Projects and Programs

Contact Person:

Name:	Elisa Tierney	Harriet Commons
Title:	Redevelopment Agency Director	Director
Dept.:	Office of Housing and Redevelopment	Finance
Phone:	510-494-4501	510-284-4010
E-Mail:	etierney@fremont.gov	hcommons@fremont.gov

RECOMMENDATION: Authorize the Redevelopment Agency Executive Director, or his designee, to execute the Affordable Housing Cooperation Agreement between the City and the Redevelopment Agency for funding of various Affordable Housing Projects and Programs to be undertaken by the City.

5.3 UPDATE ON TAX ALLOCATION HOUSING BONDS AND APPROACHES FOR CURRENT AND FUTURE HOUSING REVENUES

Update on, and Proposed Deferral of, Issuance of 2011 Redevelopment Agency Tax Allocation Housing Bonds, and Update on Exploration of Other Approaches to Housing Revenue Protections

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RECOMMENDATION: Receive information and provide feedback to staff.

6. ADJOURNMENT



5.1 Report Out from Closed Session of Any Final Action

5.2 CONSIDERATION OF A COOPERATION AGREEMENT BETWEEN THE CITY AND THE REDEVELOPMENT AGENCY

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A companion report is on tonight's agenda for the City Council of the City of Fremont.

Executive Summary: Staff recommends Agency Board and City Council approval of an Affordable Housing Cooperation Agreement for funding of various affordable housing projects and programs. This Cooperation Agreement would be similar to the Public Improvements Grant Agreement entered into annually since 2002, between the City and the Redevelopment Agency for funding various public improvements projects. This Cooperation Agreement provides for the Agency to grant funding to the City for affordable housing projects and programs, thereby furthering the goals of the Agency's Redevelopment Plan and Implementation Plan.

BACKGROUND: One of the primary goals of the Agency since its inception in 1983 has been and continues to be the production of new affordable housing to serve the needs of the community, consistent with the Redevelopment Plan, the Implementation Plan and the Housing Element of the City's General Plan. Historically, the Agency has worked very closely with the City to establish its housing goals and produce new affordable units in response to the City's allocation of affordable housing, known as the Regional Housing Needs Allocation (RHNA) as established by the Association of Bay Area Governments. As a result of this ongoing RHNA obligation, and the lack of available City general fund revenue to otherwise fund this obligation, the Agency desires to contract with the City to provide future Housing Funds to the City.

During the Agency Board's consideration of its 2010/11 budget last June, due to the uncertainty of the Plan Amendment adoption, many projects and programs were not included for funding with the understanding that a new affordable housing investment strategy plan would need to be reviewed and approved, and a subsequent mid-year budget review undertaken to consider these additional projects. On July 20, 2010, after a comprehensive presentation and extensive discussion, the Agency Board directed staff to return with a draft Affordable Housing Investment Strategy for its consideration. On November 23, 2010, the Agency Board approved the Agency Affordable Housing Investment Strategy.

DISCUSSION/ANALYSIS: Pursuant to the proposed Cooperation Agreement, the Agency agrees to grant to the City unencumbered funds currently in the Agency's Low and Moderate Income Housing Fund and funds expected to be deposited into the Housing Fund over the remaining term of the Redevelopment Plan. The maximum grant is in the amount projected to be necessary to assist the City in meeting its RHNA goals. The City would use the Housing Funds provided through the proposed

Cooperation Agreement to increase, improve, and preserve the supply of affordable housing in the Merged Project Area or within the territorial jurisdiction of the City. It is clear that in the absence of Agency grant funding, due to the City's funding limitations, the City would have no means of funding the mandated obligation for affordable housing, and no means of preserving and/or improving the existing affordable housing stock, each of which furthers the goals of the redevelopment program in Fremont. As a result, during the remainder of the FY 2010/11, and in future years, the City and the Agency will continue the implementation of the affordable housing projects and programs previously identified in the Affordable Housing Investment Strategy, the Redevelopment Plan, Implementation Plan and the City's Housing Element of the General Plan. In order to continue successful implementation of these affordable housing efforts, staff requests Agency Board and City Council approval to enter into the proposed Cooperation Agreement and allocate Agency grant funding for affordable housing projects and programs.

By way of information, there is some indication that the State Department of Finance's view is that public improvement agreements and housing cooperation agreements between an RDA and its parent city or county would not be honored for repayment by the successor agencies, should the Governor's proposal for disestablishment of RDAs become law. There is no way of knowing at this point whether that point of view would be incorporated into any future legislation (which may or may not be enacted) on this subject.

FISCAL IMPACT: Additional Agency grant funding, necessary for the completion of the affordable housing projects and programs outlined in Exhibit A, will be transferred into a City fund established for these projects.

ENVIRONMENTAL REVIEW: Pursuant to State CEQA Guidelines Section 15378(b)(4), approval of the Agreement is not a project subject to the California Environmental Quality Act ("CEQA"), because the Agreement creates a governmental funding mechanism for various affordable housing projects and programs, but does not commit funds to any specific project or program. Environmental review required by CEQA will be completed prior to the commencement of any individual affordable housing project or program described in the Cooperation Agreement

ENCLOSURES:

- [Draft Resolution](#)
- [Cooperation Agreement between the City and the Redevelopment Agency for funding of various Affordable Housing Projects and Programs](#)
- [Exhibit A of the Cooperation Agreement between the City and the Redevelopment Agency, the Affordable Housing Plan](#)

RECOMMENDATION: Authorize the Redevelopment Agency Executive Director, or his designee, to execute the Affordable Housing Cooperation Agreement between the City and the Redevelopment Agency for funding of various Affordable Housing Projects and Programs to be undertaken by the City.

5.3 UPDATE ON TAX ALLOCATION HOUSING BONDS AND APPROACHES FOR CURRENT AND FUTURE HOUSING REVENUES

Update on, and Proposed Deferral of, Issuance of 2011 Redevelopment Agency Tax Allocation Housing Bonds, and Update on Exploration of Other Approaches to Housing Revenue Protections

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A companion report is on tonight's agenda for the City Council of the City of Fremont.

Executive Summary: On January 25, 2011, staff presented the City Council and Agency Board with information about possible courses of action to preserve current available affordable housing assets as well as to preserve a future affordable housing revenue stream in light of State budget issues and impacts. This agenda item provides an update on the potential issuance of taxable affordable housing bonds and approaches for protecting current and future housing revenues.

BACKGROUND: On January 10, 2011, the Governor released his 2011/12 budget proposal. This is a proposal only, which has yet to be reviewed and acted upon by the Legislature. A major provision of the Governor's budget proposal that affects local government is the proposed elimination ("disestablishment") of redevelopment agencies throughout the State by July 1, 2011. In order to accomplish such rapid termination of redevelopment as part of the overall budget package, the proposal contemplates urgency legislation in March 2011, which needs a 2/3 vote in both houses to become effective immediately and suspend Agency operations. At this point in time, in the absence of surety, it is prudent to consider this threat a likely outcome and plan accordingly.

On January 25, 2011, staff presented the City Council and Agency Board information about possible courses of action to preserve current available affordable housing assets as well as to preserve a future affordable housing revenue stream in light of State budget issues and impacts. Those possibilities included the following:

- 1) Augmenting existing programs, such as the first-time homebuyer and rehabilitation loans.
- 2) Trading Housing Funds for other local funding sources, such as CDBG and HOME funds.
- 3) Moving up the timing of the purchase of City property (such as the old Corporation Yard) for housing purposes.
- 4) Entering into new loan agreements with selected affordable housing developers.
- 5) Executing a City/Agency affordable housing cooperation agreement (similar to the Master Public Improvements Grant Agreement between the City/Agency).
- 6) Issuing taxable affordable housing bonds.

Item 5, consideration of a City/Agency affordable housing cooperation agreement, is discussed as a separate item on this agenda. The focus of this agenda item is the potential issuance of taxable affordable housing bonds, as well as providing an update on the status of other items listed above.

DISCUSSION/ANALYSIS: Tax Allocation Housing Bonds. Unlike the tax-exempt tax allocation infrastructure bonds the Council and Agency approved for issuance in January, which are funding specific projects either started or ready to begin construction shortly, there are no new affordable housing projects ready to commence construction at this time. The Agency has identified development concepts for affordable housing projects, some of which are included in the Agency's work plan, but none have been obligated or are ready to initiate the permit process at this time. In addition, staff and outside counsel, along with the California Redevelopment Association (CRA) have been monitoring the State legislative budget hearings and believe the Governor's initial budget proposal may be subject to some sort of compromise and revision. The outcome of these negotiations may result in the continued existence of redevelopment agencies – although that is far from a certainty at this point.

The value of the disestablishment of redevelopment agencies to the State General Fund is estimated to be \$1.7 billion. Staff understands there have been some conversations with the Administration to identify alternate ways to provide this \$1.7 billion to the State budget. One of those alternatives potentially involves a suspension or revision of the provisions of the recently approved Proposition 22, which protects local revenues from any sort of diversion by the State, and a negotiated agreement to transfer \$1.7 billion from redevelopment agencies to the State. This \$1.7 billion is the same amount as the Supplemental Education Revenue Augmentation Fund (SERAF) transfer successfully imposed by the State on redevelopment agencies in FY 2009/10. If the transfer amount for each redevelopment agency were to be calculated in the same way as in FY 2009/10, the Fremont Redevelopment Agency's share would be \$10.9 million.

Another potential alternative, recognizing that not all redevelopment agencies will have the wherewithal to make another one-time transfer in the same amount as the FY 2009/10 transfer, involves a multi-year pledge of some lesser amount of tax increment revenue by redevelopment agencies to the State in an amount sufficient to secure a bond issue by the State in the amount of \$1.7 billion. Again, this would require some sort of suspension or revision of the provisions of Proposition 22.

Whether either of these alternatives will occur is unknown, and there are undoubtedly other alternatives still to be identified that could be implemented. A positive outcome of the above scenarios is the continued existence of redevelopment agencies. However, the amount of tax increment available for redevelopment purposes could be reduced.

Another consideration is that other redevelopment agencies are also in the process of issuing tax allocation bonds at this time. This increased supply of both taxable and tax-exempt debt in the market has the effect of pushing up interest rates needed for the bonds to sell. Because housing bonds are typically issued as taxable bonds, with interest rates higher than tax-exempt debt, attempting to issue these bonds at this time could be an expensive proposition.

For the reasons described above, staff recommends "pausing" the process of issuing taxable housing tax allocation bonds until such time as the projects to be funded with bond proceeds can be better defined, and the municipal debt markets have settled down a bit. Staff believes it is also prudent to wait for

additional information and clarification about any potential compromises with the Administration before committing additional tax increment to bonded debt service. Staff will return at a later date with a proposal to issue taxable housing tax allocation bonds, if needed.

Other Approaches for Use of Housing Funds. In addition to providing a detailed explanation as to the status of a possible tax allocation housing bond, staff is also providing an update as to other possible actions to preserve Agency Affordable Housing Funds.

The current Housing fund balance available for appropriation/expenditure is \$8.4 million. As outlined above, three approaches for the use of this revenue have been identified:

- 1) Augment agreements for existing housing programs to increase funding;
- 2) Swap Housing Funds for other local funding sources; and
- 3) Buy available City or private property and offer it as an affordable housing site as expeditiously as possible.

An action item for the proposed acquisition of City-owned property (including the former City Corporation Yard) is scheduled for the February 22, 2011 City Council and Agency Board meetings. If approved, the purchase and subsequent development of the City-owned property would likely require the expenditure of all available Housing Fund revenue. The purchase will require the preparation of updated appraisals to determine fair market value of the property. Of the three alternatives, staff believes the best option for the use of the available funds is the purchase of City property and the subsequent plan to contract with a nonprofit housing developer for the delivery of new housing. This course of action would commit the entire Affordable Housing available fund balance and would count towards the Agency's housing fund debt obligation.

While the Agency Board could choose to use the Housing fund balance to augment existing programs, doing so would not increase the supply of new affordable units in Fremont. In addition, it would mean expeditiously negotiating with multiple property owners and outside agencies to commit these funds. Regarding the second option outlined above, staff has researched the possibility of replacing other funding sources committed to projects with Housing Fund revenues. This too, would be virtually impossible as some of the other funding sources have even shorter limits on their use than do the Agency Housing Funds.

In addition to these approaches, staff is in discussions with the Housing Authority of the County of Alameda (HACA) regarding a possible joint powers agreement or some other mechanism by which HACA and the Agency/City agree to work together. Early indications are that HACA would be amenable to entering into such an agreement whereby Fremont's Housing funds would be committed to the development of affordable housing in Fremont.

FISCAL IMPACT: "Pausing" the process of issuing taxable housing tax allocation bonds results in reduced current availability of funding for affordable housing projects. Available funding is limited to unappropriated tax increment collected and set aside for affordable housing purposes. However, is also protects the Agency from committing resources that might otherwise be needed to fund a State budget compromise that could ensure the ongoing existence of redevelopment agencies. The fiscal impact of

other courses of action will be assessed when those related agenda items are brought forward for consideration.

ENVIRONMENTAL REVIEW: Not applicable.

ENCLOSURE: None.

RECOMMENDATION: Receive information and provide feedback to staff.